Alberta Government

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GAS ROYALTY OPERATIONS INFORMATION BULLETIN October 2014

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. ANNOUNCEMENTS

2010 Review of Allocations to the Royalty Paid Stream ID AB WG 99999

The department is reviewing allocations of royalty paid volumes for the production year 2010. The objective of the review is to ensure that the SAF and OAF volumes comply with the AB WG 99999 approval agreements and are accurately reported on PETRINEX. Where reporting errors are found, royalty clients will be notified to submit amendments. The review will be completed in 2015.

Annual Reports In CSV format

The Department has developed several reports in CSV format. These reports are expected to be available and sent to Petrinex with the October 2014 billing period invoice which will be issued in December 2014.

The reports that will be available in CSV are:

1. **Annual CCA and CP Fee Adjustment (CSTADJ)**
2. **Crown Share Operating Cost Allowance (CROPA)**
3. **Crown Share Custom Processing Allowance (CRCPA)**
4. **Crown Share Capital Cost Allowance (CRCCA)**
5. **Annual Allowable Cost Restriction Adjustment (AACR)**
6. **Facility Average Price Supporting Details (FAVRP)**

The Department will continue to send the PDF and TXT formats of these reports in addition to the CSV format.

Office Closures Christmas Period

All Alberta Energy offices will be closed from Wednesday, December 24 to Thursday, January 1, 2014, inclusive. The office will re-open on Friday, January 2, 2015.

B. MONTHLY INFORMATION

Pricing for Gas and Gas Products

For Pricing of gas and gas products and transportation information for August 2014 refer to the Information Letter.

The monthly default sulphur price for August 2014 is $115.55. Below are the annual sulphur default prices:

2010	2011	2012	2013
$44.69	$116.36	$98.02	$53.60

August 2014 Royalty Due November 30

Royalty clients are to remit the total amount payable shown on the October 2014 Statement of Account by November 30, 2014. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of August if it is paid in full by November 30, 2014.

The November 2014 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your August 2014 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date *except for the month of March due to the Government of Alberta's fiscal year end.* In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta.

September 2014 VA4 due November 15

The VA4 forms for the production month of August 2014 are due in the department offices by November 15, 2014.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate October 2014

Alberta Energy's interest rate for October is 4.00%.

July Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the July 2014 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$7,319,117.54	($3,669,186.28)	$3,649,931.26

July Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the July 2014 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2014/05
AC2	$114,800	($23,400)	$91,400
AC4	$0	$0	$0
AC5	$2,400	$0	$2,400
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$0	$0	$0
Total	**$117,200**	**($23,400)**	**$93,800**

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the July 2014 billing period, the potential royalty dollar impact is estimated as $5.1 million, for the production months of February through July 2014.

Note: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on October 1, and October 15, 2014. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

C. INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

D. REMINDERS

Royalty Liable Gas Used for Fuel (PURREC/PURDISP)

The Department is reviewing volumetric dispositions of gas, reported on PETRINEX (formerly the Petroleum Registry of Alberta (PRA)), from batteries, gathering systems or gas plants to batteries, gathering systems or gas plants that is sold or deemed sold for fuel. This review is for production year 2010 onward and is to be completed in 2015. The objective of the review is to ensure that all gas sold and used for fuel is accurately reported on the PETRINEX to facilitate Crown royalty calculation. Where reporting errors are found royalty clients will be notified to submit amendments.

Effective June 4, 2009, when there is a sale of gas or transfer of ownership within the royalty network, the selling facility is required to report PURDISP, which would then auto populate the PURREC for the purchaser (receiving facility). This enhances the controls to prevent fuel gas sale volumes from being incorrectly reported in PETRINEX. This new reporting method also applies to all prior period amendments completed after June 4, 2009. A purchase disposition (PURDISP) is a volume of product that has been sold by a facility to another facility within the royalty network. A PURDISP of gas is subject to Crown royalty charges.

For example: effective June 4, 2009, if a gas plant (GP) sells gas for fuel to a battery (BT) each month, the reporting is as follows:
1. The GP Operator must report a PURDISP.
2. This will auto populate a PURREC at the BT.
3. The GP operator must then file a SAF/OAF for the PURDISP volumes.

All parties should take steps to ensure that in-network sales or transfers of gas are correctly reported in the PETRINEX.

If you have any questions, please contact Salim Sumar at 780-422-9255.

Royalty Information Exchange: Oil & Gas 2014

BOWC and the Department of Energy will be conducting an information exchange session in Calgary on November 25, 2014.

Date/time: Tuesday, November 25, 2014, 9:30 am to 12:00 pm
Doors open at 9:00 AM (refreshments available)
Presentation begins at 9:30 AM

Location: ConocoPhillips Conference Center
Gulf Canada Square
3rd Floor Auditorium
401 - 9th Avenue S.W.
Calgary, Alberta
T2P 2H7

Topics
MRIS Rewrite with Q&A
Changes to Sec. 38 & 39 of the Mines and Minerals Act

EPAP
NGLs
General Oil Royalty update
Oil by Rail Reporting
Royalty Operations organisation

Registration: Please email Connie Brailean at ODEdmOp@gov.ab.ca by Monday, November 17, 2014 to register for the session. Please include the subject line: **Royalty Info Exchange 2014: Oil and Gas** in your email. As seating is limited, please indicate the number of attendees from your company, their names and email addresses.

The Information Exchange includes a networking session where members of Oil and Gas Royalty Operations will be available.

Please note this session is not intended to address policy questions, rather focuses on royalty operations.

Statutory Requirement and Recalculation of 2010 Royalty

A production year becomes statute barred on December 31st, four years after the end of a production year. Once a year has become statute barred, calculation or recalculation of royalty does not occur on a monthly basis. Section 38 of the Mines and Minerals Act provides for recalculation of royalty that can be initiated in two ways:
1. On the department's initiative in conjunction with an audit or examination; or
2. At the request of a royalty payer.

Audits in Progress
Non-operator partners are informed that certain 2010 Allowable Costs, Capital Costs, Custom Processing Fees, Custom Processing Adjustment Factor (CPAF), and other reporting discrepancy audits are in progress. It is anticipated that these audits will be completed before December 31, 2014. However, should circumstances warrant a completion of these audits in 2015, a list of the affected Alberta Energy Regulator (AER) facilities will be included in the December 2014 Information Bulletin. Royalty clients are also reminded that amendments received by the department in the fourth year following the production year may be subject to audit. If the amendments are received late in the fourth year and insufficient time is available for the department to commence a review of the amendments prior to the end of the year, the department reserves the right to commence the audit at the beginning of the fifth year.

If you have any questions, please contact Kris Pretty, Manager, Compliance & Assurance, Calgary, at (403) 297-8785.

Industry Recalculation of 2010 Royalty
Industry initiated royalty recalculation requests for the 2010 production year must be submitted in writing to the attention of Olga Marocco, Manager, Volumetric & Cost Reporting, Gas Royalty Operations. **Due to office closure from December 24, 2014 to January 1, 2015, requests must be received by the department on, or before, December 23, 2014** and it must include the following:

- Identification of the recalculation facility or facilities

- A list of the royalty variables proposed for recalculation
- The reason for the recalculation
- The production year of the recalculation
- An order of magnitude estimate (i.e. >$100,000, >$1 Million, >$2 Million, etc.) of the recalculation requested
- Identification of all royalty clients that may be impacted by the request (this is necessary, especially in situations where volumes may be cascaded to another client who is expected to respond to the cascade)
- Confirmation from the operator that the affected partner(s) have been notified
- A sample copy of the submission pertaining to a particular production month in paper or electronic format (e.g., excel)

If the request meets the department's terms and conditions for recalculation, it will be approved. A request made during the fourth year following the production year, must be completed before the end of the fifth year, with a reasonable time for a review by the department, prior to the end of the fifth year.

If you have any questions regarding this process, please contact the Volumetric & Cost Reporting team, as identified in Section E of this bulletin.

E. BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of four teams as shown below:

Team	Team Lead
Volumetrics	Nicole Le Blanc
Costs	Sheruna Naidoo
Process Support	Penny White
Special Projects	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000
Gas Royalty Email: VCR@gov.ab.ca

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage and Farm Gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forwarded to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

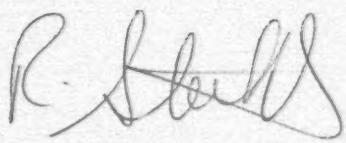
Reference Prices and Valuation Allowances Calculation Information

For information related to reference prices, price valuation, and allowances calculation, contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations